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May 16, 2007

California Air Resources Board
P.O. Box 2815
Sacramento, CA 95812

Dear Members of the California Air Resources Board:

The California Air Resources Board (CARB) is currently considering the adoption of off-road diesel regulations that, if implemented as presently drafted, would have a profound, negative impact on California's infrastructure rebuilding efforts, the health of the state's construction industry and its overall economy.

We want to be clear: Associated Builders and Contractors is very supportive of reducing particulate matter (PM) and NOx emissions from diesel engines. However, in their current form, the Board's proposed regulations are not viable from an economic or technological perspective.

When CARB first announced its intention to promulgate these regulations in 2000, their plan called for an 18-year timeline to meet the state's goals of reducing particulate matter emissions only. Due to delays in developing these rules, that timeline has been reduced to 13 years. In addition, the regulation of NOx emissions has been added to the rule – which significantly alters the kind of technology needed for companies to be in compliance.

There currently is no diesel engine that is capable of meeting the proposed PM and NOx restrictions. This lack of available equipment technology is a serious barrier to meeting the new requirements. In some cases the engines and equipment necessary to meet the stringent standards in these regulations will not come to market until 2014. In addition, an estimated 165,000 pieces of machinery will have to be retrofitted, re-powered or replaced over the next 13 years to meet yearly reduction targets.

Under the annual emission reduction targets required under this proposal, many contractors will be required to first re-power or retrofit an engine, only to have to turn around a few years later and replace the entire piece of equipment when the technology to do the job right finally hits the marketplace.

We estimate the total industry-wide cost of implementing these proposed rules to be upward of \$13 billion. Since construction is a low-margin business, many contractors will be forced to reduce their fleets and in some cases go completely out of business in order to be in compliance with these regulations.

These rules will also significantly reduce the buying power of the historic \$43 billion infrastructure bonds the people of California approved in November. Due to the enormous expense of replacing this equipment – in some cases more than \$1 million for each machine – we will be forced to increase the cost of construction projects. This means fewer roads, schools, housing and levees will be built and the pace at which these projects can be completed will be significantly slowed.

However, restoring just five years to the implementation timeframe will give equipment manufacturers time to catch-up and produce engines that will allow the industry to meet California's progressive air quality standards and distribute the massive expense of purchasing new equipment out over a longer period.

We look forward to working with you, Governor Schwarzenegger, environmental organizations, the Legislature and other stakeholders to find a feasible solution that achieves the state's air quality goals while keeping California's economy moving forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve T. Jeffress".

Steve T. Jeffress, President & Owner
Jeffco Painting & Coating, Inc.

California License No. 364702